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# Republican Policy Committee

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Don Nickles, Chairman    Doug Badger, Staff Director    347 Russell Senate Office Building    (202)224-2946

February 27, 1996

## **The Senate Whitewater Investigation: The Big Questions Remain Unanswered**

Bill and Hillary Clinton in the late 1970s became co-owners of Whitewater Development Corporation with partners James and Susan McDougal. Jim McDougal was also owner of Madison Guaranty Savings & Loan. Between them, the McDougals currently face 27 felony indictments relating to Madison/Whitewater, and their trial, at which President Clinton was subpoenaed to testify, begins March 4.

Meanwhile, recently discovered Rose Law Firm billing records show that Hillary Clinton, did extensive legal work on behalf of Madison Guaranty S&L, despite the fact that she was a business partner of Jim McDougal.

Mrs. Clinton's legal work in connection with Madison also involved another McDougal venture, Industrial Development Corporation, also known as Castle Grande. Castle Grande was a sham transaction that alone has cost taxpayers \$4 million. Specifically, Mrs. Clinton's billing records show she performed 60 hours work on Castle Grande for Madison, accounting for approximately one-third of the firm's total billings to Madison.

The Clintons' involvement in Whitewater extends beyond their business associations and political dealings in Little Rock: it reaches deep into the current, day-to-day operations of the White House. Numerous business associates and political allies of the Clintons have already been convicted or indicted by the Whitewater grand jury, and several more high-ranking Clinton Administration officials have been forced to resign as a result of the Whitewater investigations. Thus far, nine people have been convicted and have agreed to cooperate with Independent Counsel Kenneth Starr's investigation and another seven are currently under indictment [see pages 4-6 for a list of convictions and indictments].

### ***The Questions The White House Does Not Want Answered***

The Senate Special Committee to Investigate Whitewater Development Corporation and Related Matters was established by S. Res. 120, which passed the Senate on May 17, 1995, by a vote of 96-3. The Senate is seeking to extend its authorization so that the committee may conclude its work.

In addition to preventing law enforcement officers from searching Mr. Foster's office, telephone records obtained by the Committee indicate that the White House also prevented the Justice Department from conducting a subsequent review of the contents of his office. The records reveal the following chain of events:

- On July 21, 1993, Department of Justice officials had reached an agreement with Nussbaum for a joint review of the contents of Mr. Foster's office.
- However, on July 22, Ms. Williams called Mrs. Clinton at 7:44 a.m. EDT. After speaking with Ms. Williams for seven minutes, Mrs. Clinton called Susan Thomases in her Washington, D.C. hotel.
- Immediately after hanging up with Mrs. Clinton, Ms. Thomases paged Nussbaum.
- Ms. Thomases then called Mrs. Clinton back at 8:25 a.m. EDT on July 22.
- Later on the morning of July 22, Nussbaum informed others in the White House that Mrs. Clinton and Ms. Thomases were concerned about law enforcement officials having "unfettered access" to Mr. Foster's office and announced that he alone (i.e., Mr. Nussbaum) would conduct the review.
- A Justice Department official characterized Mr. Nussbaum's decision to prevent an independent review as "a terrible mistake." On the evening of July 22, Deputy Attorney General Phillip Heymann asked Mr. Nussbaum the obvious question: "Bernie, are you trying to hide something?"

Other obvious questions surrounding these events have arisen since the mysterious discovery of Hillary Clinton's Rose Law Firm billing records: How did confidential billing records that have Mr. Foster's handwriting on them get from his office to a private room in the East Wing? And, given the fact that Ms. Williams and Mr. Nussbaum have testified to conducting at least two private reviews of the documents in Mr. Foster's office, why weren't these critical records turned over to the Independent Counsel or the Special Committee?

## **Convictions And Indictments**

Thus far, the Whitewater investigations have resulted in nine convictions (all of which were guilty pleas in the United States District Court for the Eastern District of Arkansas), and grand jury indictments against an additional seven persons..

### ***Nine Convictions Stemming from Whitewater Investigation***

**Webster Hubbell** — Pleaded guilty to two felony violations: 1) mail fraud, and 2) attempted tax evasion.

On June 28, 1995, Webb Hubbell, a former law partner of First Lady Hillary Clinton and former Associate Attorney General in the Clinton Administration, was sentenced to 21 months in prison followed by three years of supervised release, and was ordered to pay \$135,000 in restitution to the Rose Law Firm.

**Neil Ainley** — Pleaded guilty to two misdemeanor counts of concealing cash payments to President Clinton's 1990 gubernatorial campaign.

On January 18, 1996, Mr. Ainley, the former president of Perry County Bank, the bank that lent Governor Clinton \$180,000 for his 1990 gubernatorial race, was sentenced to two years probation.

**David Hale** — Pleaded guilty to two felony violations of conspiring to commit an offense against or to defraud the U.S. government or any federal agency.

David Hale was a Little Rock municipal judge and president of a federally backed Small Business Investment Corporation (SBIC) that was established by Governor Bill Clinton early in his first term as Arkansas governor. The SBIC was chartered to provide investment capital for minority and disadvantaged businesses. David Hale has accused Mr. Clinton of pressuring him to make an illegal \$300,000 loan to the Clintons' business partner Susan McDougal. The Hale trial is scheduled to begin March 4, 1996.

**Christopher Wade** — Pleaded guilty to one felony violation related to making any false statement or report, or the overvaluing of any land, property or security for the purpose of influencing in any way the action of financial institutions or certain federal agencies.

On December 1, 1995, Mr. Wade, the former real estate broker for Whitewater Development Corporation, was sentenced to 15 months in prison.

**Stephen A. Smith** — Pleaded guilty to one misdemeanor count of conspiring to commit an offense against or to defraud the U.S. government or any federal agency.

Mr. Smith, a former Clinton aide and former president/co-owner of Madison Bank & Trust (the other co-owners were Governor Tucker and James McDougal) is still awaiting sentencing.

**Robert Palmer** — Pleaded guilty to one felony violation of conspiring to "commit an offense against or to defraud the U.S. government" by filing false appraisals to clean up Madison's books.

Mr. Palmer, a real estate appraiser for Madison Guaranty Savings & Loan, was sentenced to three years probation (requiring home detention with electronic monitoring) and a \$5,000 fine.

**Charles Matthews** — Pleaded guilty to two misdemeanor violations of trying to bribe David Hale after being charged with defrauding the Small Business Administration.

On January 3, 1995, Mr. Matthews, a Little Rock lawyer, was sentenced to 16 months in prison.

**Eugene Fitzhugh** — Pleaded guilty to one misdemeanor violation of also attempting to bribe David Hale after being charged with defrauding the Small Business Administration.

On April 13, 1995, Mr. Fitzhugh, a Little Rock attorney, was sentenced to one year in prison and one year of supervised release.

**Larry Kuca** — Pleaded guilty to one misdemeanor violation of conspiracy to defraud the U.S. government.

On October 11, 1995, Mr. Kuca, a former director of Madison Financial Corporation, another of McDougal's enterprises, was sentenced to two years probation and 80 hours of community service.

### ***Seven More Indicted***

**Governor Jim Guy Tucker** — To date, the Little Rock grand jury has indicted Governor Tucker on 14 felony charges. These charges include, among others: bank fraud, wire fraud, conspiracy to defraud the United States, misapplication of bank funds, and making false statements to financial institutions. Governor Tucker's trial (along with the McDougals and others) is scheduled to begin March 4, 1996 and is expected to last about two months.

**James and Susan McDougal** — Mr. McDougal has been charged with 19 felony counts and Susan McDougal has been charged with eight felony counts.

**Herby Branscum, Jr. and Robert Hill** — On February 20, 1996, Mr. Branscum and Mr. Hill were each charged with 11 felony counts. All of the charges in these indictments relate to the relationship between the Perry County Bank of Arkansas and President Clinton's 1990 gubernatorial campaign. Mr. Branscum and Mr. Hill were partners in the Perry County Bank and close political allies of the Clintons.

**William Marks, Sr. and John Haley** — On June 7, 1995, Mr. Marks was charged with three felony violations and Mr. Haley two felony counts related to financial transactions with Capital Management whereby they (along with Governor Tucker) received a federally backed loan which was used as collateral for a subsequent loan used to purchase a cable television company.

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Staff Contact: Jack Clark, 224-2946